

BINGHAM McCUTCHEN LLP

Michael J. Reilly

Erin K. Mautner

399 Park Avenue

New York, NY 10022

Telephone: (212) 705-7000

Facsimile: (212) 752-5378

-and-

Jonathan B. Alter

One State Street

Hartford, CT 06103

Telephone: (860) 240-2700

Fax: (860) 240-2800

Counsel for La Quinta Member Representatives

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

)	
In re:)	Chapter 11
)	
MSR RESORT GOLF COURSE LLC, <i>et al.</i> ,)	Case No. 11-10372 (SHL)
)	
Debtors.)	Jointly Administered
)	

**STATEMENT OF LA QUINTA MEMBER REPRESENTATIVES IN SUPPORT OF
MOTION OF MSR RESORT GOLF COURSE LLC, ET AL., FOR ENTRY OF AN
ORDER EXTENDING THE EXCLUSIVE PERIODS DURING WHICH ONLY THE
DEBTORS MAY FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES
THEREOF**

The La Quinta Member Representatives (as defined below), of the La Quinta resort golf clubs, by and through their undersigned counsel, submit this statement in support of the motion (the “Motion”) of MSR Resorts LLC, et al, (the “Debtors”) for entry of an order extending the exclusive periods (“Exclusivity”) during which only the Debtors may file a chapter 11 plan and solicit acceptances thereof, and respectfully state as follows:

1. On February 1, 2011 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors invest in and own luxury resort properties and amenities, including the La Quinta Resort & Club PGA West (“La Quinta”) in La Quinta, California.

2. At La Quinta, the Debtors operate two separate golf membership clubs, The Citrus Club and The Club at PGA West (“PGA West” and together with The Citrus Club, the “Clubs”) on nine separate golf courses. The Clubs have over 2000 active and 600 resigned members (the “Members”), each of whom is a party to an individual membership agreement (collectively, the “Membership Agreements”) with one or more of the Debtors that own and operate the La Quinta resort. For the year ending 2010, the Clubs’ collections on account of golf member initiation fees and dues totaled approximately \$21 million for PGA West and approximately \$8 million for The Citrus Club. The Members also pay guest fees, and purchase food, beverage, and other services from the Clubs and the resort. Under the Membership Agreements, the Debtors have approximately \$185 million in aggregate face value contingent refund obligations due to Members of both Clubs on account of the deposits that may become refundable under certain circumstances.

3. Shortly after the Petition Date, the Debtors approached the Club’s Members to commence discussions on the future of the Membership Agreements and the Clubs. The Debtors met with and provided information to The PGA West Members Association Board, its Ad Hoc Bankruptcy Committee, and the PGA West Advisory Board of Governors (collectively, the “PGA West Member Representatives”) and The Citrus Club Advisory Board of Governors (the “Citrus ABC”) and together with the PGA West Member Representatives, the “La Quinta Member Representatives”) to facilitate discussions relating to a global deal to resolve issues at

the Clubs and relating to the possible rejection, assumption or modification of Membership Agreements. The Debtors and the La Quinta Member Representatives worked to strike a balance between the Clubs' need for long-term financial stability and the Members' desire to maintain the value of memberships and homes at the Clubs, and the premier quality experience of the Clubs.

4. In May 2011, the La Quinta Member Representatives and the Clubs reached a compromise (the "Settlement Agreement") that would resolve outstanding claims of the Members and secure the future of the Clubs. The Settlement Agreement was heavily negotiated and includes significant compromises on both sides that will ultimately strengthen the Clubs' economic prospects and long term viability for the benefit of all stakeholders. The Debtors' Motion for Approval of the Settlement Agreement was filed on June 7, 2011 and is scheduled to be heard the same day as the Motion.

5. Section 1121(d) of the Bankruptcy Code permits a bankruptcy court to extend a debtor's exclusive period to file a chapter 11 plan and solicit acceptances for "cause." Various factors are considered in deciding whether cause exists to extend a debtor's exclusive period. *See, e.g., In re Adelphia Commc'ns Corp.*, 336 B.R. 610, 674 (Bankr. S.D.N.Y. 2006) (citing *In re Dow Corning Corp.*, 208 B.R. 661, 664 (Bankr. E.D. Mich. 1997)). The Debtors' negotiations with the La Quinta Member Representatives during the early stages of the bankruptcy proceedings reflect on two of the factors normally considered: (1) the existence of good faith progress toward reorganization; and (2) whether the debtors have made progress in negotiations with their creditors.

6. The Debtors and the La Quinta Member Representatives negotiated in good faith and worked to achieve a global resolution of issues with the Members, one of the Debtors'

significant creditor constituencies. The parties worked efficiently and effectively to resolve many major issues that impact the Clubs' finances and the value of memberships. If the Settlement Agreement is approved, then the Debtors will have preserved more than \$29 million of revenue and resolved over \$185 million of liabilities at La Quinta held by over 2600 contract creditors.

7. For these reasons and for those set forth in the Motion, the La Quinta Member Representatives believe that cause exists to extend Exclusivity and that the extension of Exclusivity is in the best interests of the Debtors and their creditors.

WHEREFORE, the La Quinta Member Representatives request that the Court (i) grant the Motion; and (ii) order such other relief as the Court deems just, equitable and proper.

Dated: June 14, 2011
New York, New York

BINGHAM McCUTCHEN LLP

By: /s/ Michael J. Reilly
Michael J. Reilly
michael.reilly@bingham.com
Erin K. Mautner
erin.mautner@bingham.com
399 Park Avenue
New York, NY 10022
Telephone: (212) 705-7000
Fax: (212) 752-5378

-and-

Jonathan B. Alter
jonathan.alter@bingham.com
One State Street
Hartford, CT 06103
Telephone: (860) 240-2700
Fax: (860) 240-2800

*Counsel for La Quinta Member
Representatives*